



Request for Expression of Interest Small Business Lending

I. Description of Proposal

The Rhode Island Commerce Corporation (“Commerce Corporation” or “Corporation”) is issuing this request for expressions of interest (“RFEI”), which offers a unique opportunity for interested parties to seek State funding to increase their lending to small businesses in Rhode Island. The Corporation encourages those responding to this RFEI (each, a “Respondent”) to propose creative and economically viable proposals. The Corporation intends to select one or more plans described in one or more of the Proposals as the plan(s) best suited for State support (the “Preferred Plan(s)"). The Commerce Corporation may work with one, or several, of the Respondents on enhancements and revisions to the Preferred Plan and enter into non-exclusive negotiations for an agreement (the “Agreement”) for State support of one or more projects, which incorporate the Preferred Plan(s).

Although discussions may be conducted with Respondents submitting acceptable Proposals to this RFEI, the Commerce Corporation reserves the right to select a Respondent to proceed to an Agreement on the basis of initial Proposals received pursuant to this RFEI, without discussions; therefore, each Respondent’s initial Proposal should contain its best programmatic, technical and State support request terms.

Alternatively, the Corporation reserves the right to issue a future request for Proposals for State support based on the Preferred Plan(s) or an alternate programming plan and restrict participation to only the Respondents to this RFEI. For the above reasons, the Corporation strongly encourages all parties interested to submit Proposals in response to this RFEI.

II. Background and Purpose

Over the last several years, Rhode Island has experienced high unemployment and anemic job creation. Governor Raimondo has made jumpstarting Rhode Island’s economy her top priority, and has directed the Secretary of Commerce and the Commerce Corporation to lead the charge. To spark Rhode Island’s comeback, the Rhode Island General Assembly recently approved a robust set of new economic incentive programs developed and requested by Governor Raimondo. One of the new programs provides \$5.458 million in funding to assist viable small businesses that encounter difficulty in obtaining adequate credit or adequate terms for such credit. Among the small businesses that this program aims to assist are minority business enterprises and women-owned business enterprises. Ninety percent of the \$5.458 million has been set aside to provide loans above \$25,000 to businesses with 200 or fewer employees. This RFEI is focused

exclusively on this small business lending component. The remaining funds or 10% have been earmarked for microloans. There is a separate Request for Proposals for that component.

III. Program Guidelines

A. Service Delivery Area and Target Audiences

The Corporation is interested in reaching small businesses statewide that, though viable and making meritorious loan requests, are facing challenges accessing capital.

Applicants that target underrepresented groups, areas of high economic distress, market niches and industry clusters will be reviewed favorably. If an applicant's current service area does not cover a large portion of the state or multiple target audiences and/or geographies, the applicant is strongly encouraged to partner with other lending and/or technical assistance providers, community development organizations and/or other non-profit organizations to expand its footprint.

B. Eligible Applicants

To be eligible to receive funds from the Commerce Corporation, an applicant organization must be one of the following:

1. Community Development Financial Institution ("CDFI" shall mean a community-based organization that provides financial services and products to communities, businesses and people underserved by traditional financial institutions); or
2. Banks and/or consortia of banks; or
3. Small business lending consortium; or
4. Certified development company; or
5. United States Small Business Administration loan provider; or
6. Credit union; or
7. A non-profit organization, community development corporation, small business technical assistance provider that is teamed with one or more of the aforementioned entities;

All eligible applicants and/or applicant teams must have staff with sufficient expertise to analyze small business loan applications, evaluate the creditworthiness of small businesses, and regularly monitor small business loans. The Corporation will rely upon the selected Respondent to review every loan application in order to determine, among other things, the feasibility of the proposed use of the requested financing by the small business loan applicant, the likelihood of repayment and the potential that the loan will generate economic development and jobs within Rhode Island.

Also, applicants must be legally able to receive and use the proceeds as herein stated; meet any other requirements herein stated for the specific purpose of the Program; and be in good standing with any other Commerce Corporation assistance.

All applicants and/or their partners are encouraged to provide entrepreneurs, as necessary, with loan sourcing, loan packaging, and technical assistance in order to reach more businesses, expand the service delivery area, or expand business eligibility.

C. Award Structure and Eligible Uses

The purpose of this RFEI is to invite a diverse and innovation set of ideas on how to reach small businesses, albeit viable, find it difficult to access traditional capital. The Corporation will make one or more awards. Recipients will be expected to deploy loan proceeds within 18-24 months upon the execution of the Program Agreement with the Corporation.

Each award will be structured into two parts. 90% or more of the award will be structured as a below-market interest rate loan with an initial seven year term for the applicant to make small business-loans. Lenders can use this portion to provide subordinated and mezzanine debt; offer collateral support in the form of credit enhancement, or establish a cash collateral account to enhance collateral coverage of individual loans.

Up to 10% of the remaining award can be used as a grant for the provision of technical assistance to applicants and borrowers.

D. Cost Sharing and Matching Requirements

Lenders must match Commerce Corporation funds at least 2:1 with non-State sources on the portion of the award for small business loans. The level and flexibility of the match for small business loans will be a selection factor. We recommend at least 1:1 with non-State sources on the provision of technical assistance. Program funds to fund a small business-loan shall not be more than twenty percent (50%) of the principal amount of such loan.

E. Eligible Business

An eligible business is defined as:

1. a business enterprise that resides in Rhode Island,
2. independently owned and operated,
3. employs 200 or fewer persons in Rhode Island.

F. Eligible Types of Financial Assistance to Businesses

All loans must be made for business purposes. With respect to its Business Loans, Respondents may charge reasonable application, commitment and other fees pursuant to a schedule of fees adopted by the institution and approved by the Commerce Corporation.

Small business-loans shall be used for:

- a. working capital;
- b. acquisition and/ or improvement of real property;
- c. acquisition and/ or improvement of machinery and equipment; and
- d. the refinancing of debt obligations, provided that:
 - i. it does not refinance a loan already in the vendor's lending portfolio;
 - ii. the refinanced loan will provide a tangible benefit to the business borrower as determined by the Corporation in writing.

IV. Proposal Requirements

All proposals shall provide information relating to the elements listed in sufficient detail to allow the Commerce Corporation to conduct a selection process. Failure to include any of the following information may have an adverse impact on the evaluation of a proposal. A submission must at a minimum, include the following elements:

1. Funds Requested and Fee Structure

State the amount of funds requested for small business lending and for the provision of technical assistance to applicants and borrowers. Also propose a fee structure for covering the Corporation's overhead in monitoring a potential award, and in sharing potential profits you may receive from the program.

2. Organizational Information

Describe the organization's status as an eligible entity that is able to administer the Program set forth in Section in Section III.B of this RFEI. Please note whether Applicant is not-for profit or for profit entity. Include the year that the organization was established. Include the year certified, if a federally certified CDFI. State the organizational mission. (narrative)

- a) Certificate of incorporation (Attachment A)
- b) CDFI certification letter, if applicable (Attachment B)
- c) Bylaws (Attachment C)
- d) FDIC Bank Examination Reports, if applicable and available.(Attachment D)
- e) Most recent annual report (Attachment E)

3. Target Market

Identify the audiences you intend to target. How does this project respond to a need in the communities you will serve? Please provide relevant data and cite sources. Will you provide a unique service or product in your target area(s). Include three (3) examples of loans that your institution ordinarily wouldn't make but could be made under this program. Summarize projected Rhode Island small business lending volume over next two years if award is received. Summarize projected outcomes, including job creation and business launch or expansion outcomes.

4. Management and Operations

Describe the capacity, skills, size and experience of the Applicant's management team, partners and key staff, including members of the loan review committee. Describe the capacity, skills, size and experience of the Applicant's governing board. Include a list of names and affiliations of its Board of Directors or other governing body.

5. Track Record

Describe the organization's capital structure for lending activities. Describe how the capital structure has changed over the past 3-5 years, what funds have been raised during that period, and how the capital structure is expected to change moving forward. Include a breakdown of the following:

- i. total loan funds (including what amounts are from debt, grant funds,

- and earned income)
- ii. funds committed or deployed
- iii. funds available for lending

6. Technical Assistance

Describe existing and/or proposed technical assistance services, including information on types of technical assistance and training available, target population and geography volume of services provided, demonstrated outcomes, and whether services are provided by the Applicant or through partnerships. Describe the connection between technical assistance and the financial products and services provided by the Applicant, including pre- and post-loan support.

7. Marketing and Outreach

- a) Describe how the Applicant organization will utilize community partnerships of joint ventures and coordinate its efforts with other lending organizations or technical assistance providers to increase volume, expand the service delivery area, or enhance services.
- b) Describe how the Applicant organization will market its loan program and related services in the target markets. The marketing plan should also contain strategies that will target the service delivery region as a whole and reach certain market subsets in specific communities, such as in underserved neighborhoods or to MWBEs.

V. Evaluation Criteria

The criteria for selection will include the following:

- A. Completeness of proposal
- B. Organization capacity and stability
- C. Track record of small business lending generally and specifically in the state of Rhode Island, especially in underserved communities and to underserved populations having difficulty accessing traditional credit markets
- D. Business strategy for increased small business lending in Rhode Island
 - 1. Overall strategy and feasibility
 - 2. Target markets – demonstration of need, plan to target underserved communities and populations, plan to target niche markets, and extent of geographic reach within Rhode Island
 - 3. Appropriateness and attractiveness of small business lending product
 - 4. Level of projected small business lending activity, and level of projected increase over what volume would have occurred without the Corporation investment
 - 5. Demonstration of Program Loan match
 - 6. Demonstration of sufficient operating funds and organization capacity
 - 7. Plan for technical assistance to applicants and borrowers

VI. Notifications

1. Equal Employment Opportunity (RIGL 28-5.1) – 28-5.1-1 Declaration of policy – (a) Equal opportunity and affirmative action toward its achievement is the policy of all units of Rhode Island State government, including all public and quasi-public agencies, commissions, boards and authorities, and in the classified, unclassified, and non-classified services of State employment. This policy applies to all areas where the State dollar is spent, in employment, public services, grants and financial assistance, and in State licensing and regulation. For further information, contact the Rhode Island Equal Opportunity Office at (401) 222-3090.
2. In accordance with Title 7, Chapter 1.1 of the General Laws of Rhode Island, no foreign corporation, a corporation without a Rhode Island business address, shall have the right to transact business in the State until it shall have procured a Certificate of Authority to do so from the Rhode Island Secretary of State (401-222-3040). This is a requirement only of the successful contractor.
3. The Commerce Corp RI reserves the right to consider evaluation criteria other than that listed in this RFEI.

VII. Response Date and Other Considerations

Questions, interpretations, or clarifications concerning this RFEI should be directed by e-mail to Dan Jennings at: Dan.Jennings@commerceri.com no later than 4:30pm on Monday, November 2, 2015. Responses to questions, interpretations, or clarifications concerning this RFEI will be posted online via addendum at www.commerceri.com and www.purchasing.ri.gov by Monday, November 9, 2015 to ensure equal awareness of important facts and details. Phone calls will not be accepted.

Responses to this RFEI are **due by Tuesday, November 24, 2015 by 4:00pm**. One (1) electronic (PDF) version and five (5) printed copies of the complete proposal and must be mailed or hand-delivered in a sealed envelope marked:

Rhode Island Commerce Corporation
ATTN: Small Business Lending Services RFEI
315 Iron Horse Way, Suite 101
Providence, RI 02908

Note: Responses received via electronic submission only may be disqualified.

The Corporation reserves the right to terminate the Project prior to entering into any negotiated contract with any qualified firm or firms pursuant to this RFEI, and by responding hereto, no firm or firms are vested with any rights in any way whatsoever.

The Corporation reserves the right to waive any conditions or modify any provision of this RFEI with respect to one or more Respondents, to negotiate with one or more of the Respondents, to require supplemental statements and information from any Respondents, to establish additional terms and conditions, to encourage Respondents to work together, or to reject any or all responses, if in its judgment it is in the best interest of the Commerce Corporation and the State to do so. If all responses are rejected, this RFEI may be withdrawn and the State support contemplated in this RFEI may be retained, and re-offered under the same or different terms and conditions. In all cases, the Corporation shall be the sole judge of the acceptability of the responses.